

BUY

TP: Rs 1,755 | ▲ 23%

INDUSIND BANK

| Banking

| 20 July 2023

Strong NII and lower provisions drive PAT

- Q1 PAT growth robust at 30% YoY to Rs 21.2bn on NII growth and lower provisions which offset elevated opex
- NIM stable QoQ at 4.3% as a sustained rebound in vehicle and MFI loans offset margin pressure; FY24 guidance maintained at 4.2%
- TP raised to Rs 1,755 (vs. Rs 1,550) as we tweak estimates and move to a higher 1.9x FY25E P/ABV multiple (vs. 1.7x); retain BUY

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Loans up 21% YoY: IIB's Q1FY24 loan growth was broad based as both CCB and CFD grew ~21% YoY with traction in vehicle finance. Management expects even higher growth during the rest of the year considering unfavourable seasonality in Q1, along with a likely change in mix in favour of CFD (to 55-56%). Corporate loans did well, led by small businesses (+10% QoQ), and IIB aims to double this book to 20% of the corporate mix in 2-3 years.

Deposits grew 15% YoY: A focus on granularity led to deposit growth of 15% YoY, wherein low-cost retail deposits (as per LCR) increased 21% YoY (forming 43% of deposits) while CASA grew 6% YoY, leading to a flat CASA ratio of 40%.

NIM stable; PAT robust despite high C/I ratio: Continued recovery in the high-yield vehicle finance (+21% YoY) and MFI business (+9% YoY) helped IIB offset margin pressure. NIM was flat QoQ at 4.3% and is guided to hold at similar levels in Q2 as deposit repricing peaks and yields move up. Opex was elevated due to employee cost, taking the C/I ratio to 46%. Management expects to exit FY24 at 45% with improvement to 41-43% by FY25. IIB posted strong 30% YoY PAT growth to Rs 21.2bn supported by NII growth of 18% and lower provisions as slippages were controlled.

Asset quality improving gradually: A decline in MFI slippages (to Rs 3.7bn vs. Rs 6bn in Q4) helped counter deterioration in CFD (mainly vehicle finance), bringing overall slippages down to Rs 13.8bn (vs. Rs 16bn). Credit cost at 134bps (146bps in Q4) despite a Rs 1.3bn provision on security receipts is in line with guidance of 110-130bps over FY23-FY26. Steady reduction in the restructured (66bps of loans vs. 88bps in Q4) and SMA book (23bps vs. 32bps) provide confidence on asset health.

Maintain BUY: Strong growth momentum in vehicle finance and MFI loans coupled with improving asset quality and a healthy loan mix put IIB on a strong wicket. We expect ROA/ROE to rise from ~1.7%/14.5% in FY23 to 1.9%/16.5% by FY25. We raise FY24/FY25 EPS estimates by 1% each and reset to a higher P/ABV multiple of 1.9x on FY25E (vs. 1.7x) based on the Gordon Growth Model, yielding a new TP of Rs 1,755 vs. Rs 1,550. BUY.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	IIB IN/Rs 1,425
Market cap	US\$ 13.5bn
Free float	84%
3M ADV	US\$ 55.2mn
52wk high/low	Rs 1,443/Rs 893
Promoter/FPI/DII	16%/42%/26%

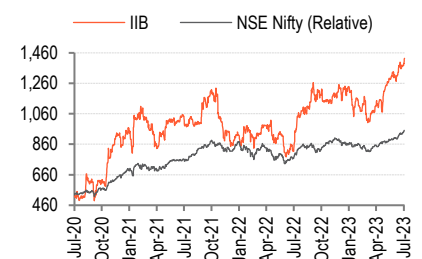
Source: NSE | Price as of 20 Jul 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Net interest income	175,921	211,126	246,915
NII growth (%)	17.3	20.0	17.0
Adj. net profit (Rs mn)	74,431	93,535	111,448
EPS (Rs)	96.0	120.6	143.6
Consensus EPS (Rs)	96.0	114.6	134.1
P/E (x)	14.8	11.8	9.9
P/BV (x)	2.0	1.8	1.5
ROA (%)	1.7	1.9	1.9
ROE (%)	14.4	15.9	16.5

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



Fig 1 – Quarterly snapshot: Income Statement

(Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)
Income Statement							
Net interest income	41,253	43,021	44,954	46,695	48,671	18.0	4.2
Growth YoY (%)	15.8	17.6	18.5	17.2	18.0	223bps	81bps
Non-interest income	19,315	20,112	20,765	21,536	22,098	14.4	2.6
Growth YoY (%)	12.1	9.2	10.6	13.0	14.4	233bps	136bps
Non-interest income (Ex- Trading income)	17,855	18,722	19,405	21,536	22,098	23.8	2.6
Total income	60,568	63,132	65,718	68,231	70,769	16.8	3.7
Growth YoY (%)	14.6	14.8	15.9	15.8	16.8	228bps	101bps
Staff expenses	9,281	10,104	10,872	11,530	12,352	33.1	7.1
Other operating expenses	16,980	17,584	17,982	19,126	20,103	18.4	5.1
Operating expenses	26,261	27,689	28,854	30,656	32,455	23.6	5.9
Pre-Provisioning Profit (PPoP)	34,307	35,444	36,864	37,575	38,315	11.68	2.0
Growth YoY (%)	9.9	10.0	11.3	11.1	11.7	175bps	56bps
Pre-Provisioning Profit (Ex- Trading income)	32,847	34,054	35,504	37,575	38,315	16.6	2.0
Growth YoY (%)	25.8	17.8	20.2	20.3	16.6	(912bps)	(370bps)
Provisions	12,510	11,411	10,647	10,301	9,916	(20.7)	(3.7)
Growth YoY (%)	(29.7)	(33.2)	(35.6)	(29.6)	(20.7)	896bps	888bps
PBT	21,797	24,033	26,217	27,275	28,399	30.3	4.1
Tax	5,487	5,981	6,582	6,841	7,155	30.4	4.6
PAT	16,310	18,052	19,635	20,434	21,244	30.3	4.0
Growth YoY (%)	60.5	57.4	58.2	45.9	30.3	(3,027bps)	(1,565bps)
Per Share							
FV (Rs)	10	10	10	10	10	0.0	0.0
EPS (Rs)	21	23	25	26	27	29.9	3.8
Book Value (Rs)	326	328	346	349	373	14.6	6.8

Source: Company, BOBCAPS Research

Fig 2 – Quarterly snapshot: Balance Sheet & Others

Balance sheet (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)
Deposits	3,027,190	3,155,321	3,252,780	3,361,202	3,470,470	14.6	3.3
Growth YoY (%)	13.3	14.6	14.3	14.6	14.6	136bps	6bps
Advances	2,479,600	2,601,288	2,727,540	2,899,237	3,013,170	21.5	3.9
Growth YoY (%)	17.7	17.8	19.3	21.3	21.5	385bps	24bps
Investment	724,870	759,935	761,740	830,757	942,160	30.0	13.4
Equity	504,820	516,594	536,590	557,805	579,200	14.7	3.8
Assets	4,101,000	4,265,752	4,444,850	4,578,366	4,669,930	13.9	2.0
Growth YoY (%)	9.9	12.1	13.8	13.9	13.9	393bps	(3bps)
Yield (%)							
Yield on Funds	8.6	9.0	9.4	9.5	9.9	125bps	35bps
Cost of Funds	4.7	5.0	5.5	5.7	6.0	129bps	38bps
Spread	3.9	3.9	3.9	3.9	3.8	(4bps)	(3bps)
Net Interest Margin	4.3	4.4	4.4	4.4	4.5	13bps	4bps
Ratios (%)							
Other Income / Net Income	31.9	31.9	31.6	31.6	31.2	(66bps)	(34bps)
Cost to Income ratio	43.4	43.9	43.9	44.9	45.9	250bps	93bps
CASA ratio	43.1	42.3	41.9	40.1	39.9	(322bps)	(19bps)
C/D ratio	81.9	82.4	83.9	86.3	86.8	491bps	57bps
Investment to Assets	17.7	17.8	17.1	18.1	20.2	250bps	203bps
Assets Quality							
GNPA	59,329	55,671	57,108	58,263	59,411	0.1	1.97
NNPA	16,612	15,840	16,815	17,150	17,469	5.2	1.9
Provision	42,717	39,832	40,293	41,113	41,942	(1.8)	2.0
GNPA (%)	2.4	2.1	2.1	2.0	1.9	(41bps)	(4bps)
NNPA (%)	0.7	0.6	0.6	0.6	0.6	(9bps)	(1bps)
Provision (%)	71.5	71.1	69.9	70.2	70.1	(139bps)	(10bps)
Slippages	4.00	2.69	2.41	2.51	2.06	(195bps)	(46bps)
Others							
Branches	5,122	5,298	5,560	5,909	6,000	878	91
ATMs	2,783	2,807	2,894	2,878	2,875	92	(3)

Source: Company, BOBCAPS Research

Earnings call highlights

Planning cycle 6 (PL-6)

IIB indicated that it has successfully accomplished its fifth planning cycle (PL-5) and is now targeting the following under PL-6 over FY23-FY26:

- Loan growth of 18-23% vs. 21% in FY23
- Retail loan mix of 55-60% vs. 54%
- Retail deposits of 45-50% vs. 43% as per LCR
- PPOP/Loans of 5.25-5.75%
- Branch network of 3,250-3,750 vs. 2,606
- Customer base of >50mn vs. 34mn

Asset quality

- Slippages in commercial vehicle loans increased from Rs 3.8bn to Rs 5.8bn due to seasonality (Rs 6.9bn in Q1FY23).
- SMA-1 and SMA-2 loans stood at 4bps and 19bps respectively.
- The restructured book has reduced by Rs 4.8bn to Rs 19.7bn from 0.8% of advances last quarter to 0.7%, with a bulk of the reduction due to upgrades and recoveries.
- Net security receipts reduced to 44bps from 51bps in the previous quarter. Additional provisions made towards security receipts during Q1 totalled Rs 1.3bn.
- IIB has utilised Rs 2bn of contingent provisions in Q1 and plans to replenish this buffer during the year.
- Asset quality has improved for all businesses except vehicle finance which was impacted by seasonality.
- While the Ind-AS guidelines are yet to be finalised, IIB pegs the expected credit loss (ECL) impact at 1-1.5% of the total book and is building provisions accordingly.
- The bank's credit cost guidance is at 1.1-1.3% for FY24.

Loan book

- Loans grew 22% YoY in Q1 with corporate loans up ~22%, vehicle loans up 21%, and MFI lending rising 9%.
- The mix of retail to corporates is broadly unchanged at 54:46 on both YoY and QoQ basis. The bank expects retail growth to be higher than wholesale growth with the mix changing in favour of retail (55-56%) by FY24-end.
- Disbursement was strong in commercial vehicles, utility vehicles and cars, but soft in tractors and two-wheelers which are likely to remain focus.
- IIB's home loan pilot has reached Rs 6.7bn.
- The bank's comfort level for CD ratio is 86-89%.
- Top 20 accounts now comprise 12-13% of the total corporate book.

Deposits

- Retail deposits as per LCR grew 21% YoY and formed 43.4% of total deposits in Q1, progressing towards the bank's target of 45-50% in PC-6.
- Affluent deposits grew 22% YoY while non-resident deposits were up 39% YoY (+9% QoQ) and continued to gain market share to ~3%.
- LCR stood at 132% with average surplus liquidity at Rs 440bn during the quarter.

Opex

- IIB plans to add 250-300 branches during the year.
- The bank has hired 2,600 employees in the past 12 months to expand retail and MFI business, pushing up opex.
- Management expects to exit FY24 at a 45% C/I ratio and FY25 at 41-43% vs. the current 45.9%.

Margins

- Effective balance sheet management supported NIM of 4.3% (+1bps QoQ, +8bps YoY). The cost of funds as well as yield on assets increased by ~40bps each during the quarter.
- During Q1, a large quantum of low-cost term deposits was due for renewal which led to a rise in deposit cost.
- Cost of deposits is guided to peak out in Q2FY24 and to dip 10-15bps by Q4.

Vehicle finance

- Vehicle finance loans grew 21% YoY and disbursement increased 18%.
- Historically, Q1 has been a seasonally weak quarter and Q4 seasonally strong for this business. Usually, H2 is stronger than H1 both in terms of disbursement and recoveries, and IIB expects this trend to continue in FY24 as well.
- Slippages improved QoQ to 77bps from 111bps in Q4FY23 but deteriorated YoY from 61bps in Q1FY23. IIB expects improvement as the year progresses.
- The restructured book reduced to Rs 11.8bn vs. Rs 14.7bn in Q4FY23 wherein a bulk of the reduction was through upgrades and recoveries.

Microfinance

- MFI loan disbursement stood at Rs 84.1bn (+12% YoY) during the quarter, leading to a total book of Rs 319.8bn (+9% YoY, -1% QoQ). IIB remains confident of scaling growth up to 18-20% YoY in FY24.
- The active borrower base grew 5% YoY to ~7.8mn. New customers added during Q1 totalled ~504,000.
- Historically, Q1 has been a seasonally weak quarter and Q4 seasonally strong for the microfinance business.
- MFI slippages were at Rs 3.7bn vs. Rs 6bn in Q4FY23.
- The 30dpd book is at 1.1%.

Corporate banking portfolio

- The corporate loan book grew 4% QoQ in Q1 led by small corporates (+10% QoQ). Within this segment, IIB focused on accounts with less than Rs 5bn turnover which grew 14% QoQ.
- Small corporate share in the book is at 10.5% and targeted to reach 20% in the next 2-3 years.
- Gross slippages stood at Rs 430mn with a restructured book of Rs 32.7bn.
- Yield improved 10bps QoQ but could be muted ahead as benchmark yields are stabilising.

Diamond portfolio

- Gold & jewellery loans declined 7% QoQ (+10% YoY) on lower working capital utilisation amidst poor global demand, and are dependent on global recovery. However, asset quality remained comfortable.
- IIB has no SMA-1 and SMA-2 loans in this business.

Capital

- IIB did not offer clarity on the promoter raising its stake but mentioned that the bank currently does not need capital.

Fig 3 – Portfolio mix (Absolute)

(Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)
Large Corporates	623,220	686,680	710,530	743,400	770,650	23.7	3.7
Mid Corporates	422,100	424,780	442,010	463,740	476,240	12.8	2.7
Small Corporates	98,970	106,200	117,560	134,360	147,480	49.0	9.8
Corporate and Commercial Banking	1,144,290	1,217,660	1,270,100	1,341,500	1,394,370	21.9	3.9
Commercial Vehicle Loans	244,150	253,400	268,190	281,710	293,200	20.1	4.1
Utility Vehicle Loans	67,970	74,670	83,110	90,290	98,130	44.4	8.7
Small CV	31,840	31,960	33,650	34,590	35,610	11.8	2.9
Two-Wheeler Loans	43,580	43,340	47,490	47,740	47,780	9.6	0.1
Car Loans	87,890	93,260	99,930	105,710	111,100	26.4	5.1
Tractor	82,500	86,110	91,590	93,720	95,160	15.3	1.5
Equipment Financing	87,900	88,930	92,690	98,670	102,340	16.4	3.7
Vehicle Finance	645,830	671,670	716,650	752,430	783,320	21.3	4.1
Credit Card	64,780	70,980	77,140	83,950	89,780	38.6	6.9
LAP	90,090	92,480	95,020	96,400	99,530	10.5	3.2
BBG	122,030	125,120	128,390	138,450	148,070	21.3	6.9
Other (BL, PL, GL, AHL, Others)	118,550	127,200	143,360	164,360	178,290	50.4	8.5
Microfinance (incl. BHAFIN)	294,030	296,170	296,880	322,150	319,810	8.8	(0.7)
Non-Vehicle Finance	689,480	711,950	740,790	805,310	835,480	21.2	3.7
Consumer Finance	1,335,310	1,383,620	1,457,440	1,557,740	1,618,800	21.2	3.9
Total	2,479,600	2,601,280	2,727,540	2,899,240	3,013,170	21.5	3.9

Source: Company, BOBCAPS Research

Fig 4 – Portfolio mix (% share)

Segment (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)
Large Corporates	25.1	26.4	26.1	25.6	25.6	44bps	(7bps)
Mid Corporates	17.0	16.3	16.2	16.0	15.8	(122bps)	(19bps)
Small Corporates	4.0	4.1	4.3	4.6	4.9	90bps	26bps
Corporate and Commercial Banking	46.1	46.8	46.6	46.3	46.3	13bps	1bps
Commercial Vehicle Loans	9.8	9.7	9.8	9.7	9.7	(12bps)	1bps
Utility Vehicle Loans	2.7	2.9	3.0	3.1	3.3	52bps	14bps
Small CV	1.3	1.2	1.2	1.2	1.2	(10bps)	(1bps)
Two-Wheeler Loans	1.8	1.7	1.7	1.6	1.6	(17bps)	(6bps)
Car Loans	3.5	3.6	3.7	3.6	3.7	14bps	4bps
Tractor	3.3	3.3	3.4	3.2	3.2	(17bps)	(7bps)
Equipment Financing	3.5	3.4	3.4	3.4	3.4	(15bps)	(1bps)
Vehicle Finance	26.0	25.8	26.3	26.0	26.0	(5bps)	4bps
Credit Card	2.6	2.7	2.8	2.9	3.0	37bps	8bps
LAP	3.6	3.6	3.5	3.3	3.3	(33bps)	(2bps)
BBG	4.9	4.8	4.7	4.8	4.9	(1bps)	14bps
Other (BL, PL, GL, AHL, Others)	4.8	4.9	5.3	5.7	5.9	114bps	25bps
Microfinance (incl. BHAFIN)	11.9	11.4	10.9	11.1	10.6	(124bps)	(50bps)
Non-Vehicle Finance	27.8	27.4	27.2	27.8	27.7	(8bps)	(5bps)
Consumer Finance	53.9	53.2	53.4	53.7	53.7	(13bps)	(1bps)
Total Loan	100.0	100.0	100.0	100.0	100.0	-	-

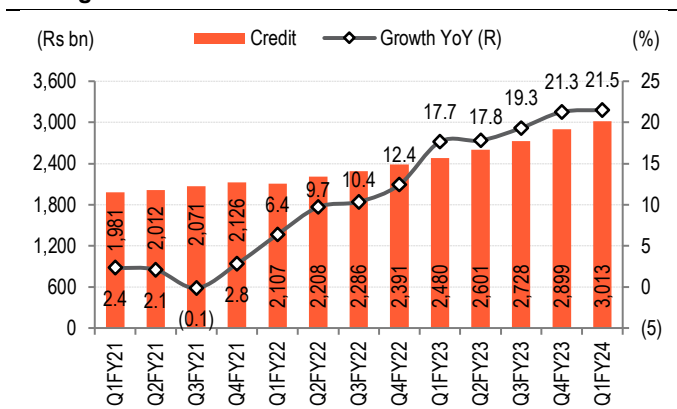
Source: Company, BOBCAPS Research

Fig 5 – Yield profile

(Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)
Corporate and Commercial Banking	1,144,290	1,217,660	1,270,100	1,341,500	1,394,370	21.9	3.9
% of Loan	46.1	46.8	46.6	46.3	46.3	13bps	1bps
Yield (%)	7.8	8.2	8.6	8.9	9.0	119bps	10bps
Consumer Finance	1,335,310	1,383,620	1,457,440	1,557,740	1,618,800	21.2	3.9
% of Loan	53.9	53.2	53.4	53.7	53.7	(13bps)	(1bps)
Yield (%)	14.3	14.3	14.5	14.7	14.8	43bps	8bps
Total Loan	2,479,600	2,601,280	2,727,540	2,899,240	3,013,170	21.5	3.9
Yield (%)	11.4	11.5	11.8	12.0	12.2	85bps	22bps

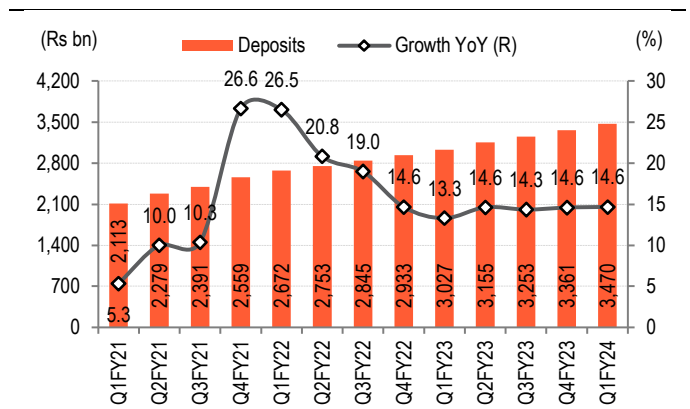
Source: Company, BOBCAPS Research

Fig 6 – Recovery in vehicle finance and MFI led to strong loan growth



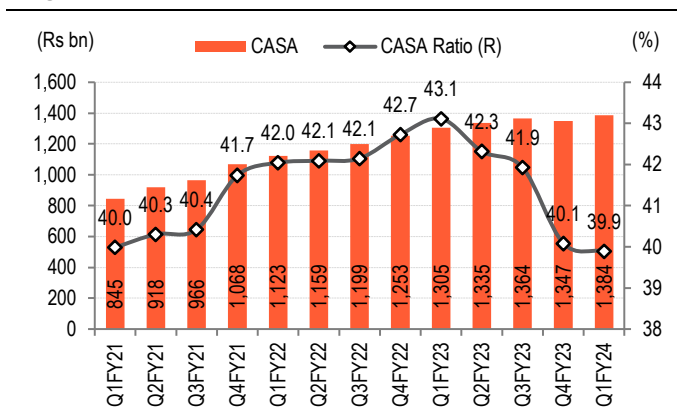
Source: Company, BOBCAPS Research

Fig 7 – Deposit mobilisation remained subdued



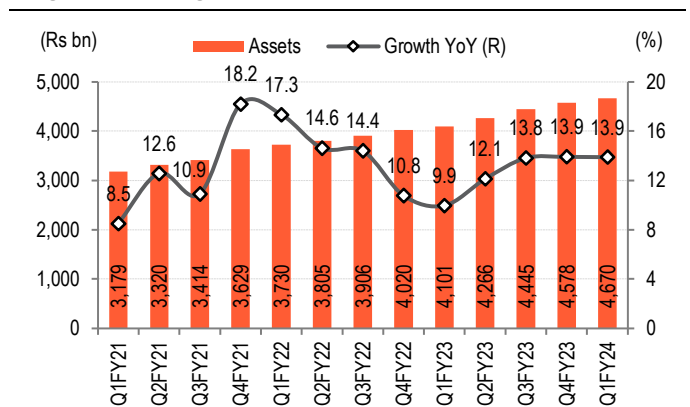
Source: Company, BOBCAPS Research

Fig 8 – CASA flat but SA improved QoQ



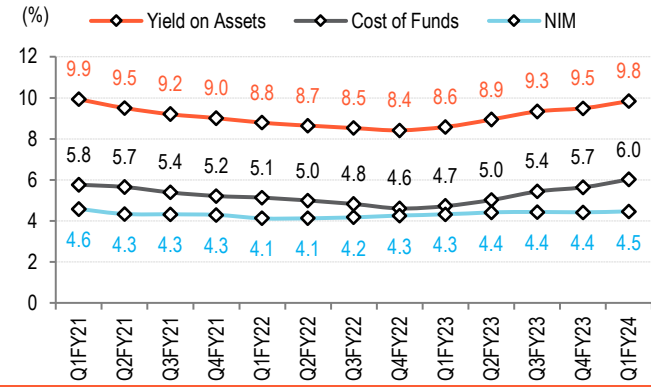
Source: Company, BOBCAPS Research

Fig 9 – Assets grew 13.9% YoY



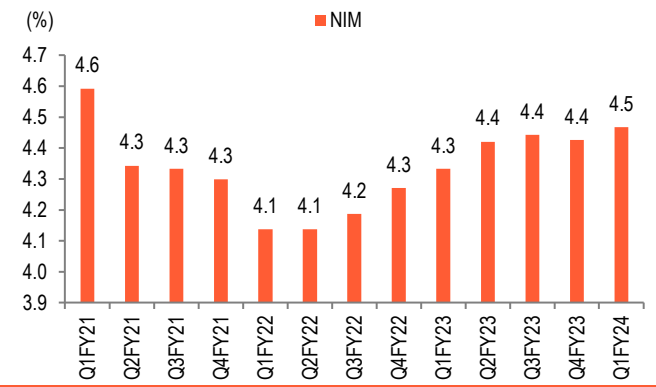
Source: Company, BOBCAPS Research

Fig 10 – Higher cost of funds kept NIM flat QoQ



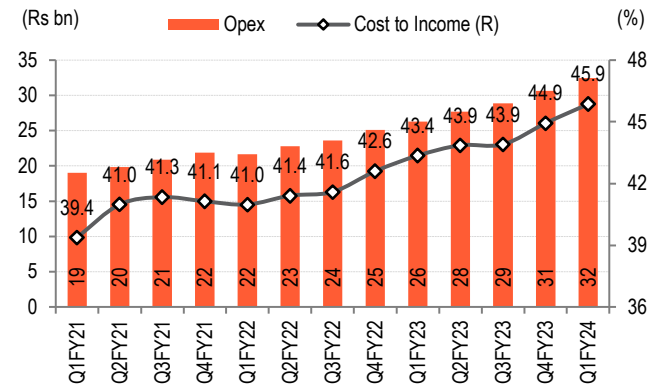
Source: Company, BOBCAPS Research

Fig 11 – NIM likely to remain stable at current level



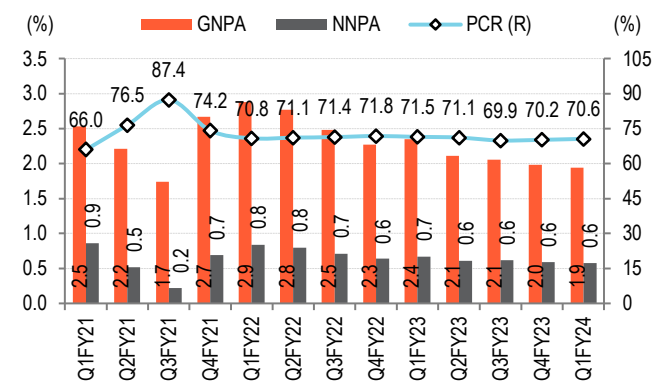
Source: Company, BOBCAPS Research

Fig 12 – C/I to remain elevated



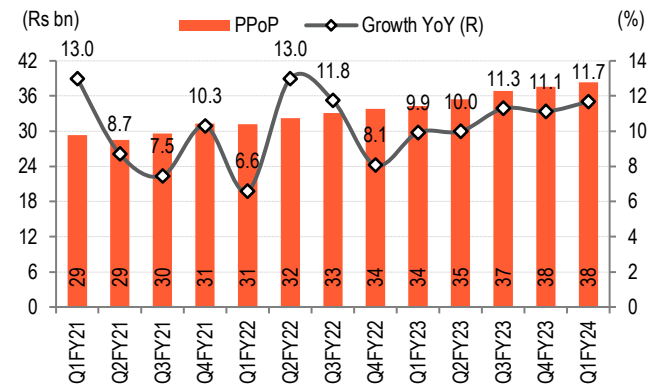
Source: Company, BOBCAPS Research

Fig 13 – Asset quality improving



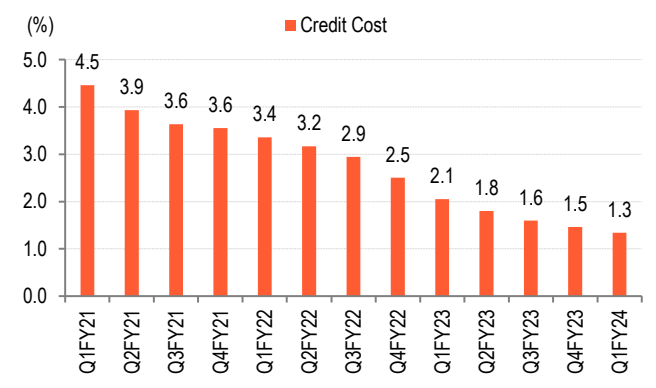
Source: Company, BOBCAPS Research

Fig 14 – Strong topline supported PPOP growth



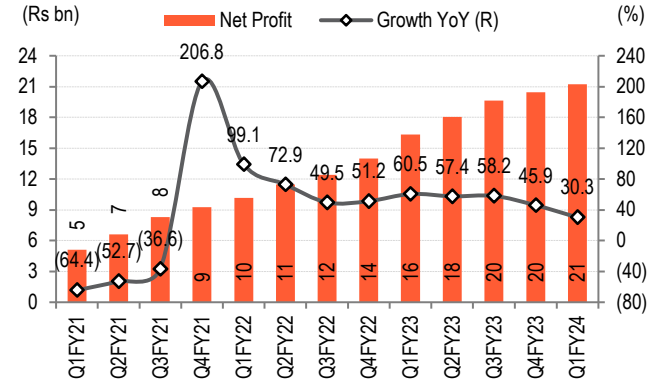
Source: Company, BOBCAPS Research

Fig 15 – Credit cost continues to decline



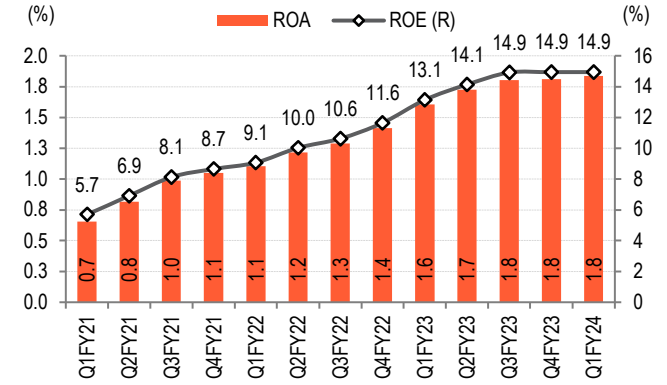
Source: Company, BOBCAPS Research

Fig 16 – Lower provisions support PAT growth



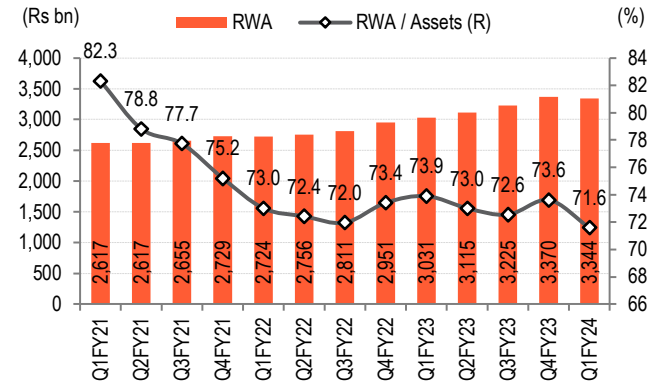
Source: Company, BOBCAPS Research

Fig 17 – Return ratios likely to improve as NIM rises



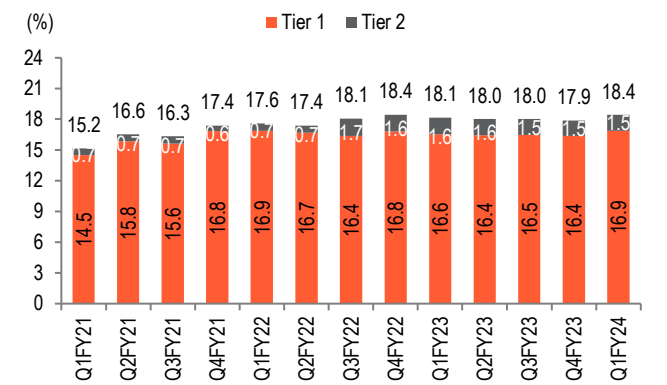
Source: Company, BOBCAPS Research

Fig 18 – RWA/Asset ratio expected to remain at 72%



Source: Company, BOBCAPS Research

Fig 19 – Well capitalised with tier-1 at 16.9%



Source: Company, BOBCAPS Research

Valuation methodology

IIB has shown steady improvement across business verticals during Q1FY24. Growth was strong and broad-based with both corporate credit and consumer finance rising 22% and 21% YoY respectively. We raise our credit growth estimate to a 20.5% CAGR over FY23-FY25 (vs. 19.5% earlier) to factor in the recovery in vehicle finance and MFI business alongside sustained growth in the retail segment. NII is now forecast to log an 18.5% CAGR vs. 17.6% earlier.

Revival in vehicle finance and MFI lending is likely to aid margins and offset some cost pressure. We thus expect NIM (calc.) to improve 10bps YoY to 4.5% in FY24 and thereafter hold steady during FY25. Increased granularity in deposits together with continued branch expansion and technology spends could keep the C/I ratio elevated at 45% in FY24 and 44% in FY25, leading to an estimated PPOP CAGR of 18.1% over FY23-FY25 (17.4% earlier). ROA/ROE are projected to rise from ~1.7%/14.5% in FY23 to 1.9%/16.5% by FY25

In terms of asset quality, we remain conservative on credit cost and maintain our earlier forecast of 140bps/134bps over FY24/FY25 vs. management guidance of 110-130bps over FY23-FY26, and expect overall asset quality to remain stable. We model for GNPA/NNPA at 1.5%/0.4% with a PCR of 72% by FY25. The gradual decline in restructured book also offers comfort on asset quality.

Considering the improving growth and margin prospects, we reset to a higher P/ABV multiple of 1.9x on FY25E (vs. 1.7x) based on the Gordon Growth Model, yielding a new TP of Rs 1,755 vs. Rs 1,550. Maintain BUY.

Fig 20 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Loan	3,508,077	4,213,200	3,481,983	4,150,524	0.7	1.5
Deposits	3,999,830	4,739,799	3,935,967	4,624,762	1.6	2.5
Assets	5,333,815	6,313,133	5,307,679	6,232,653	0.5	1.3
NII	211,126	246,915	209,382	244,129	0.8	1.1
PPOP	170,296	201,142	169,426	198,620	0.5	1.3
Provisions	44,851	51,346	44,669	50,756	0.4	1.2
PAT	93,535	111,448	93,023	110,011	0.6	1.3

Source: Company, BOBCAPS Research

Fig 21 – Key valuation assumptions

Components of Gordon growth model	Assumptions (%)
Cost of equity (%)	12.4
Blended ROE (%)	15.6
Initial high growth period (yrs)	10.0
Payout ratio of high-growth phase (%)	20.0
Long-term growth (%)	6
Long term dividend payout ratio (%)	60
Justified P/BV Multiple (x)	1.9

Source: Company, BOBCAPS Research

Fig 22 – Key operational assumptions

Parameter (%)	FY22	FY23P	FY24E	FY25E
Advances Growth	12.4	21.3	21.0	20.1
NII Growth	10.9	17.3	20.0	17.0
PPoP growth	10.3	10.1	18.1	18.1
PAT growth	64.0	54.9	25.7	19.2
NIM	4.2	4.4	4.6	4.5
GNPA	2.3	2.0	1.6	1.5
CAR	18.4	17.9	17.8	17.4

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- inability to sustain business growth, mainly in the vehicle finance book, and
- further deterioration in asset quality, which may lead to higher provisioning.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Axis Bank	AXSB IN	36.6	978	1,111	BUY
Federal Bank	FB IN	3.5	137	165	BUY
HDFC Bank	HDFCB IN	154.9	1,689	2,061	BUY
ICICI Bank	ICICIB IN	84.6	996	1,015	HOLD
Indusind Bank	IIB IN	13.5	1,425	1,755	BUY
Kotak Mahindra Bank	KMB IN	47.3	1,957	2,122	HOLD
State Bank of India	SBIN IN	66.3	610	729	BUY

Source: BOBCAPS Research, NSE | Price as of 20 Jul 2023

Glossary

Glossary of Abbreviations			
AUCA	Advance Under Collection Account	LCR	Liquidity Coverage Ratio
ARC	Asset Reconstruction Company	MCLR	Marginal Cost of Funds-based Lending Rate
BRDS	Bills Rediscounting Scheme	MTM	Mark to Market
CASA	Current Account and Savings Account	NII	Net Interest Income
CAR	Capital Adequacy Ratio	NIM	Net Interest Margin
CCB	Corporate & Commercial Banking	NNPA	Net Non-Performing Assets
CET1	Common Equity Tier 1	PCR	Provision Coverage Ratio
CD	Credit-Deposit Ratio	PPOP	Pre-Provision Operating Profit
CFD	Consumer Finance Division	PSU	Public Sector Unit
C/I	Cost-Income Ratio	RWA	Risk-weighted Assets
CRB	Commercial and Rural Banking	SLR	Statutory Liquidity Ratio
EBLR	External Benchmark-based Lending Rate	SMA	Special Mention Account
ECL	Expected Credit Loss	SME	Small and Medium-sized Enterprises
GNPA	Gross Non-Performing Assets	SR	Security Receipts
IBPC	Interbank Participation Certificate		

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Net interest income	135,279	150,008	175,921	211,126	246,915
NilI growth (%)	12.2	10.9	17.3	20.0	17.0
Non-interest income	65,008	74,076	81,728	97,139	114,722
Total income	200,287	224,085	257,649	308,265	361,638
Operating expenses	81,568	93,107	113,459	137,969	160,496
PPOP	118,718	130,978	144,190	170,296	201,142
PPOP growth (%)	9.6	10.3	10.1	18.1	18.1
Provisions	79,425	66,650	44,868	44,851	51,346
PBT	39,293	64,328	99,322	125,445	149,796
Tax	9,995	16,282	24,891	31,910	38,348
Reported net profit	29,298	48,046	74,431	93,535	111,448
Adjustments	0	0	0	0	0
Adjusted net profit	29,298	48,046	74,431	93,535	111,448

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Equity capital	7,734	7,747	7,759	7,759	7,759
Reserves & surplus	427,273	472,517	542,287	621,792	716,523
Net worth	435,007	480,264	550,046	629,551	724,282
Deposits	2,558,701	2,933,495	3,361,202	3,999,830	4,739,799
Borrowings	513,228	473,232	490,112	548,926	614,797
Other liab. & provisions	122,097	132,683	177,006	155,508	234,255
Total liab. & equities	3,629,033	4,019,674	4,578,366	5,333,815	6,313,133
Cash & bank balance	566,099	685,847	567,768	548,397	585,555
Investments	696,534	709,299	830,757	945,008	1,114,127
Advances	2,125,954	2,390,515	2,899,237	3,508,077	4,213,200
Fixed & Other assets	240,446	234,012	280,605	332,334	400,251
Total assets	3,629,033	4,019,674	4,578,366	5,333,815	6,313,133
Deposit growth (%)	26.7	14.6	14.6	19.0	18.5
Advances growth (%)	2.8	12.4	21.3	21.0	20.1

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23P	FY24E	FY25E
EPS	39.9	62.1	96.0	120.6	143.6
Dividend per share	0.0	5.0	14.0	18.1	21.5
Book value per share	558.3	615.8	708.9	811.4	933.5

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23P	FY24E	FY25E
P/E	35.7	23.0	14.8	11.8	9.9
P/BV	2.6	2.3	2.0	1.8	1.5
Dividend yield (%)	0.0	0.4	1.0	1.3	1.5

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23P	FY24E	FY25E
Net interest income	4.0	3.9	4.1	4.3	4.2
Non-interest income	1.9	1.9	1.9	2.0	2.0
Operating expenses	2.4	2.4	2.6	2.8	2.8
Pre-provisioning profit	3.5	3.4	3.4	3.4	3.5
Provisions	2.4	1.7	1.0	0.9	0.9
PBT	1.2	1.7	2.3	2.5	2.6
Tax	0.3	0.4	0.6	0.6	0.7
ROA	0.9	1.3	1.7	1.9	1.9
Leverage (x)	8.6	8.4	8.3	8.4	8.6
ROE	7.5	10.5	14.4	15.9	16.5

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23P	FY24E	FY25E
YoY growth (%)					
Net interest income	12.2	10.9	17.3	20.0	17.0
Pre-provisioning profit	9.6	10.3	10.1	18.1	18.1
EPS	(41.9)	55.4	54.7	25.6	19.2
Profitability & Return ratios (%)					
Net interest margin	4.1	4.1	4.3	4.5	4.5
Fees / Avg. assets	0.3	0.3	0.3	0.4	0.4
Cost-Income	40.7	41.5	44.0	44.8	44.4
ROE	7.5	10.5	14.4	15.9	16.5
ROA	0.9	1.3	1.7	1.9	1.9
Asset quality (%)					
GNPA	2.7	2.3	1.8	1.6	1.5
NNPA	0.7	0.6	0.6	0.5	0.4
Slippage ratio	3.7	4.8	2.9	2.5	2.4
Credit cost	3.8	3.0	1.7	1.4	1.3
Provision coverage	73.8	71.6	67.9	71.5	71.6
Ratios (%)					
Credit-Deposit	83.1	81.5	86.3	87.7	88.9
Investment-Deposit	27.2	24.2	24.7	23.6	23.5
CAR	17.4	18.4	17.9	17.8	17.4
Tier-1	16.8	16.8	16.4	16.4	16.0

Source: Company, BOBCAPS Research

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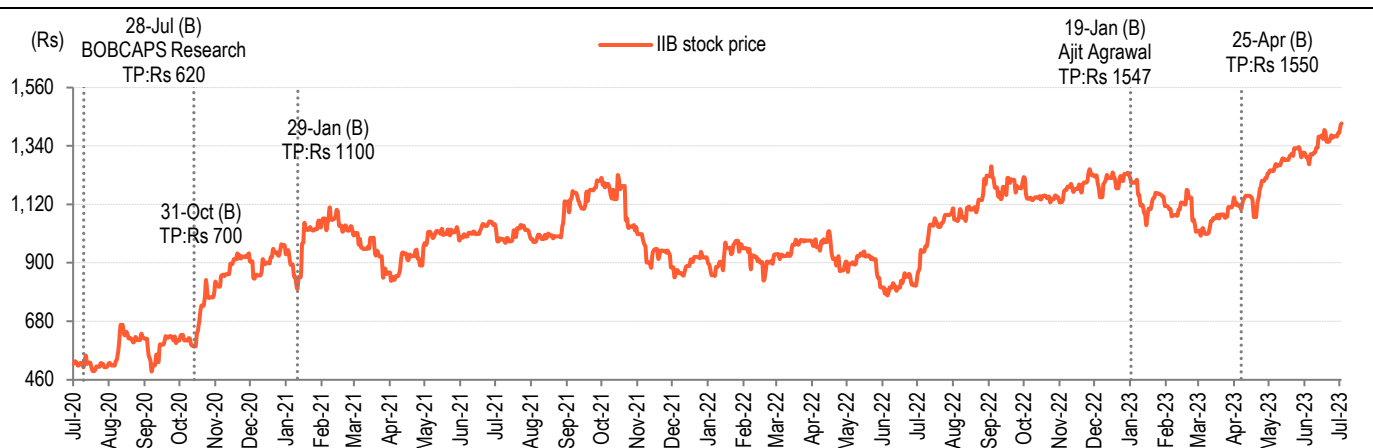
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